

March 12, 2009

A special called joint meeting of the Council of the City of Martinsville, Virginia and Martinsville City School Board was held on March 12, 2009 at the City School Board office, 746 Indian Trail, at 7:30 PM, with Mayor Kathy Lawson presiding. Council Members present included: Kathy Lawson, Kimble Reynolds, Jr., Gene Teague, Mark Stroud, Sr., and Danny Turner. Representatives from School Board included: Jim Johnson, Bill Manning, Robert Williams, and Nancy Baker. City staff present included: Clarence Monday, Eric Monday, Leon Towarnicki, Iris Read, Mike Rogers, and Kenneth Draper. School staff present included: Dr. Scott Kizner, Travis Clemons, Pam Heath, and Lynda Pulliam. Mayor Lawson called the Council meeting to order and School Board Chairman Jim Johnson called the School Board meeting to order.

Human Resources Manager Iris Read gave an overview of information previously discussed by Council and the School Board of the planning stages and the committee's work on the proposed health care plan. City Manager Clarence Monday briefed Council on staff recommendations on the Health Insurance Strategy as follows: Insurance premiums are increasing to the point whereas the City cannot fund employee contributions at or near market level, thus leaving employee costs for monthly premiums at levels adversely affecting recruitment. As employee premium costs increase, employees and/or dependents drop off the plan as other lower cost options become available, thus driving premiums even higher. A committee consisting of a diverse representation of City and School employees, retirees, and elected officials was assimilated to examine the problem and recommend a plan of action. Recommendations of staff are derived from the following goals: reduce monthly premiums for active employees; create an incentive to attract more healthy participants to the group plan; move to a consumer-based plan so that participants strive for healthier lifestyles; offer free preventive services; expand network to include more specialists and health care facilities; offer a health insurance plan that attracts and retains quality employees; keep employer costs as low as possible; protect retiree benefits as much as possible, reducing

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retiree monthly premiums when possible, and maintaining the present monthly contribution. Following are nine staff recommendations:

1. **Change to a High Deductible Health Plan** complemented with tax savings accounts: Health Savings Account (HSA) and Health Reimbursement Account (HRA). **Increase employer contribution for active employees by 5%.** Both School and City staff should continue work to raise this amount over time, as funds allow, until market contributions are achieved. Cost of 5% increase in employee contribution **\$127,616**
(Including third-party benefits administrator)
2. **Front-fund the full \$720 HSA for all employees** in July to reduce the strain on employees that have prescription needs and other health issues that require large out-of-pocket expenses until other plan benefits begin. The only negative to this recommendation is if an employee leaves the city prior to earning the HSA contribution. There is not a current problem of frequent turnover during the year and this impact is expected to be minimal, but by front-funding, this in itself will do more to ease the minds of employees than anything else during this transition.
3. **Institute a four-tier rate category** so employee plus children becomes more affordable.
Cost of recommendation: Built into plan.
4. **Maintain the monthly retiree contribution of \$195 per month.**
Cost of recommendation: no new cost.
5. **Institute a Health Savings Account (HSA) for retirees not eligible for health care credit under VRS** in order to closer equalize retiree insurance benefits. Presently there are 59 retirees not eligible for this credit and the recommendation is to provide up to \$45 per month in a HSA for such employees (same as constitutional employees), so that all retirees receive some level of credit.
Cost of recommendation

Schools, (11) employees	\$5,940
City, (48) employees	25,920
Total	\$31,860
6. Provide employees and retirees with a **list of known prescription discount cards** and opportunities to reduce prescription costs.
7. **Start negotiations with a benefits administrator** so that the new strategy can begin on July 1, 2009.
8. **Host a series of employee and retiree rollouts** to explain the new plan and for enrollment purposes.
9. Closely **monitor the implementation phase**, respect feedback from those on the plan, and consider such feedback as to subsequent years.

Comments of Council members and School Board members during discussion included: schools budgeted for 15% contribution and has adopted their budget; the city cannot afford but 5%; should honor 15% contribution as recommended by consultants and cut budgets in other areas; wrong message to send if school employees and city employees are not treated the same; there is no cost of living increase in school budget, so school employees should get more than 5%; citizens can't afford a tax increase; would need \$179,000 to fund the 15% from 5% contribution; small percentage of city budget is impacted by stimulus money; a shortfall in revenue means we will have to cut expenses; school board chairman reiterated that school board is not in favor of 5% contribution and has voted on their budget which includes a 15% contribution; city's economic downturn over past 12 years was noted and that it is very hard to pay rates that are paid across the state as Martinsville's situation is unique; should honor recommendation of consultants and the committee; one way we make ourselves attractive to highly qualified employees

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is to offer benefits; need to compare all variables from surrounding communities as to their employee health care benefits.

Council members and school board members agreed another joint worksession needs to be scheduled and they will be contacted to arrange a date. No official vote was taken, but members agreed in principal on other items in the recommendation except for the percentage amount of the employer contribution.

City Attorney Eric Monday read the Disclosure of Personal Interest signed by Council Member Mark Stroud which was originally signed at Council's 2/24/09 meeting and was signed again tonight and is on file.

Comments from floor: Woody McCain--\$3,000 deductible very high; Tim Powell-his understanding was that a retiree could participate in the city's insurance and be treated as an active employee and he felt city should honor what he was told in 2001; Jerry Brock-it is time to give retirees what they were promised, insurance is designed so younger subsidize the older, he served on insurance committee and vote was not unanimous as both retirees on the committee voted against it, his understanding of city policy was that retirees are to be treated as active employees; Mike Rogers—pointed out that all city employees are important and treating everybody the same is very important as the city tries to recruit employees to accomplish Council's goals; has seen city government cut city funding for salaries and funding not cut to the schools; if 15% is funded for schools, it should be the same for city employees; Dave Edwards-pointed out he stayed with the city because of health insurance benefit paid to retirees; questioned whether city is honoring its policy offered on retiree insurance; Brenda Gilbert-questioned how the deficit figure was compiled and it was noted sales tax revenue is down as well as other factors, she stated she felt the city was pricing the retirees out of the insurance plan; Charles Long-city has been good to him and when he was hired, he was told his retiree insurance would be covered, questioned if the city's promise is legally binding and wants to clarify if retirees are covered 100%. Pam Heath-asked for clarification on the VRS credit and pointed out it is not a matter of who is deserving and who is not, she stated it comes down to the fact that the

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schools have to recruit specialized employees; Dave Gilbert-made reference to policy documents signed in the past by previous city managers and was answered that this Council cannot answer for previous Council, questioned whether city feels obligation to make this right; Rhonda Hatchett questioned whether it would hurt or help the city if the retirees pulled out of the plan and reply was that consultants said retirees are having an adverse effect on premiums.

City Attorney Eric Monday noted that administrative policy can be changed and appropriations can be changed from year to year.

There being no further business to come before Council during their special meeting, the meeting adjourned at 9:30 PM.

Clarence Monday
Clerk of Council

Kathy C. Lawson
Mayor